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UNCLAS HANOI 002665

SIPDIS

SENSITIVE

STATE FOR EB/IPC WILSON AND EAP/BCLTV
STATE ALSO PASS USTR BURCKY/ALVAREZ AND BRYAN
STATE ALSO PASS USPTO FOR URBAN
STATE ALSO PASS LIBRARY OF CONGRESS FOR TEPP
USDA FOR FAS/FAA/AO HUETE
USDOC FOR LASHLEY AND 4431/MAC/AP/OPB/VLC/HPPHO
USDOC ALSO FOR ITA/TD/OTEA/JJANICKE AND ITA/TD/SIF/CMUIR

E.O. 12958: N/A

TAGS: KIPR ETRD ECON VM IPROP

SUBJECT: VIETNAM: CHANEL CONCERNED ABOUT EXPORT OF FAKE
COMSMETICS AND FRAGRANCES FROM VIETNAM

¶11. (U) This cable includes sensitive business information.
Please protect accordingly.

¶12. (SBU) In a meeting September 22 with Econ/C and Econoff, three representatives of Chanel voiced concerns that a Vietnamese company may be producing and exporting counterfeit cosmetics and fragrances to the United States (and possibly other markets). Robin Gruber (from Chanel USA), Bernard Lehmann and Catherine Cruse (both from French Chanel) explained that Chanel had recently seized counterfeit fragrance and cosmetics products in the United States. Their subsequent investigation traced the products back to what they believe is a factory belonging to the Saigon Cosmetics Corporation (SCC) located in Can Tho province.

¶13. (SBU) Chanel's Gruber told Econoffs there are only three legitimate points of sale for Chanel products in Vietnam: the duty free shops in both the Hanoi and HCMC airports and a duty free shop in downtown HCMC. However, while in HCMC the day before, they were able to purchase very convincing fake Chanel lipsticks in HCMC.

¶14. (SBU) Chanel is disturbed by the sale of fake products locally for health and safety reasons, as well as because Chanel eventually plans to market its products more extensively in Vietnam. However, Chanel is more concerned that Vietnamese companies may be venturing into exporting counterfeit goods. Gruber stressed that Chanel is interested in addressing the issue of exportation before it becomes a bigger problem in Vietnam. In addition to the meeting with Econoffs in Hanoi, the Chanel reps met with an attorney (who specializes in intellectual property rights cases) at the firm of Baker & McKenzie in HCMC to discuss their concerns.

¶15. (SBU) Gruber asked Econoffs for guidance on how Chanel should proceed and the best way to raise their concerns with the GVN. Econoffs suggested Chanel proceed with finding local counsel (either an attorney or an IPR agent) to assemble the facts of the case and identified the National Office of Intellectual Property (NOIP) under the Ministry of Science and Technology (MOST) as the GVN agency in charge of trademark issues. Econoffs also provided the names of several additional experts on IPR issues in Vietnam; encouraged Chanel reps to meet with appropriate officials at the French Embassy and EU Mission in Hanoi; described USG technical assistance to the GVN on IPR enforcement; offered to provide Chanel with more information about the Saigon Cosmetics Corporation; and offered to provide assistance in pressing the matter with the GVN.

¶16. (SBU) Comment: SCC was established 20 years ago and exports a variety of cosmetics to Asia, Europe and the United States. SCC was a state-owned enterprise but is now a holding company. Its shares are over the counter rather than in the stock market. The General Director of SCC has been a member of Vietnam's National Assembly since 1998. SCC products are produced in Ho Chi Minh City alone; SCC has only a representative office in Can Tho, the alleged source of the counterfeit goods. If there is a connection to SCC, it could be through an employee rather than the company as a whole.

¶17. (SBU) Comment continued. Lack of effective IPR protection remains one of the biggest challenges for Vietnam's trade and investment relations with the United States. Despite GVN efforts to improve Vietnam's legal framework for IPR, a couple of high profile police raids, and significant USG technical assistance, pirated and counterfeit products abound in markets throughout Vietnam. The Chanel case is even more worrisome, however, because it is the first time a company has complained to us about allegedly counterfeit goods of Vietnamese origin being exported to the United States rather than sold in the

domestic market. End comment.

MARINE